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SUBJECT: TRAVEL NOTES: ARGENTINA'S NEUQUEN PROVINCE

REF: BUENOS AIRES 00857

1. (SBU) SUMMARY: In March, Poloff traveled to the province of Neuquen to meet with political and academic leaders and has subsequently met with a number of national legislators from Neuquen. Neuquen Governor Jorge Sobisch is currently the only declared candidate for the 2007 presidential elections, and Neuquen has Argentina's most important reserves of petroleum and natural gas. Governor Sobisch is generally praised, both within and outside of his Popular Neuquino Movement (MPN), as having been a good governor, although the opposition criticizes his use of public funds, interference in the judiciary, and alleged lack of respect for the freedom of the press. Governor Sobisch faces an uphill battle for the presidency in 2007, with President Kirchner riding high in the polls and Sobisch facing low name recognition and high negatives in opinion polls. Despite Neuquen's independence from the national government's purse strings, President Kirchner is finding other ways to put pressure on his potential rival, such as by encouraging labor unrest in the province. Neuquen is a rich province, but many worry that the province is not planning for the future when the oil and gas reserves are exhausted. END SUMMARY.

2. (SBU) In March, Poloff traveled to the province of Neuquen to meet with political and academic leaders and has subsequently met with a number of national legislators from Neuquen in order to get a better understanding of this economically, and increasingly politically important province. Neuquen Governor Jorge Sobisch is currently the only declared candidate for the 2007 presidential elections, and Neuquen has Argentina's most important reserves of petroleum and natural gas.

3. (SBU) Background: Neuquen has been governed for more than four decades by the Popular Neuquino Movement (MPN) Party, an offshoot of Peronism founded in 1961 when the Peronist Party (PJ) was banned by the Argentine military. Governor Sobisch is the current leader of the MPN and is in his third term as Governor of Neuquen. Sobisch is running for President in 2007 and is aligned with Commitment for Change (CPC) leader Mauricio Macri in the center-right Republican Proposal (PRO) coalition, although Sobisch has been engaged in a war of words with the third leader of PRO, Recrear's Ricardo Lopez Murphy. Governor Sobisch is facing a challenge from within his party by his former Vice Governor, Jorge Sapag, who is the most prominent member of the family dynasty that founded the MPN. Governor Sobisch has a reputation of being the Argentine Governor that is most independent from the national government, with Neuquen's sizable oil and gas royalties

limiting the province's dependence on national co-participation funds that the GOA routinely manipulates to keep the provincial governors in line.

14. (SBU) Governor Sobisch is generally praised, both within and outside of the MPN, as having been a good governor, although the political opposition is quick to point to corruption allegations regarding Sobisch's use of public funds and interference in the justice system. Radical Civic Union (UCR) provincial legislator Marcelo Inaudi told Poloff, "Sobisch has done a lot of good as governor, particularly in his first term. There are some real questions, however, about where the public funds have gone. For example, Neuquen received USD \$600 million from the YPF privatization in the 1990s and other than a gymnasium and a highway, there is no evidence of what Sobisch did with the money." Federal Judge Dr. Antonio Labate, a member of the PJ, told Poloff that Neuquen has one of the best health care systems in Argentina and one of the highest levels of spending on education in Argentina, but criticized Governor Sobisch for mismanaging public works funding and for interfering in the provincial judicial system to stop cases that are against the provincial government's interests. However, Graciela Carrion de Chrestia, the MPN chief of staff of the provincial legislature, told Poloff that Governor Sobisch has a better track record of governance than President Kirchner had governing the similar province of Santa Cruz.

15. (SBU) Governor Sobisch generally receives mixed reviews regarding his respect for freedom of the press. Journalist Daniel Darrieux of Fundacion Atlas and the local radio station FM 104.7 told Poloff that the Sobisch government does interfere with the press, but "we can still speak." He said

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the circulation-leading daily, Rio Negro, is adamantly anti-Sobisch, while the second most important daily, La Manana, is pro-Sobisch. Darrieux explained that Sobisch has never made a move to prevent Rio Negro from publishing, but like the national government, he spends all of the official advertising funds on those media outlets that print favorable stories. Fabiana Trinciante, the Press Secretary for the Neuquen legislature and staunch MPN member, told Poloff that Governor Sobisch's only problem with the press is with the Rio Negro newspaper. Trinciante said that Rio Negro is aligned politically with the UCR Mayor of Neuquen city and aspirant to become Neuquen's next Governor, Horacio Quiroga. Trinciante said that the conflict with Rio Negro began when the newspaper "set up" Governor Sobisch by planting a hidden camera that "purportedly" caught Governor Sobisch attempting to bribe a provincial legislator, Recrear's Jorge Taylor, in 2002.

16. (SBU) Governor Sobisch faces an uphill battle for the presidency in 2007, with President Kirchner riding high in the polls and Sobisch facing low name recognition and high negatives in opinion polls. Leading Argentine pollsters have told Poloff that a majority of Argentines have never heard of Sobisch, and a majority of those who have heard of him, have a negative opinion of him. Sobisch lacks a national structure to facilitate a presidential run, although he has tried to build a network in Buenos Aires province through his Movimiento de Las Provincias Unidas headed by Mauricio Silva. Silva told Pol Couns and Poloff that they are developing a structure that he said will be able to propel Governor Sobisch into the presidency next year. However, Sobisch faces conflict from within PRO, both with Lopez Murphy stemming from the earlier bribery scandal and potentially from Mauricio Macri, should Macri also decide to run for President in 2007. National congressman for MPN and Sobisch ally, Jorge Brillo, told Poloff that they have good cooperation with Recrear's national congressmen, despite the conflict with Lopez Murphy, and predicted the alliance would hold together. However, Lopez Murphy recently told the DCM and Poloff that he would never support a presidential ticket that included Sobisch (Reftel).

17. (SBU) Despite Neuquen's independence from the national government's purse strings, President Kirchner is finding other ways to put pressure on his potential rival. Several contacts in Neuquen pointed out to Poloff that the provincial government receives roughly USD \$1 billion in annual revenue from the oil and gas royalties. The energy windfall allows Governor Sobisch a measure of independence from the national government, much as was the case for Nestor Kirchner when he was Governor of oil-rich Santa Cruz province. Neuquen suffered a serious teacher strike February through March that included the blocking of the main provincial roads to the oil and gas fields, as well as major tourist centers. Many in Neuquen argued that Jorge Sapag and President Kirchner were behind the strike as a means of putting pressure on Governor Sobisch and damaging his reputation as a good manager of the province. Comahue University Director Dr. Maria Colantuono told Poloff that the main motivation for the teachers strike was political. "It started out as a salary dispute, but really has become political. The Neuquen teachers are already some of the highest paid in the country. The oil workers union boss, Guillermo Pereyra, is aligned with Jorge Sapag and President Kirchner and him are supporting the teacher's strike." MPN provincial legislator Christina Storioni told Poloff that she was working day and night trying to solve the dispute, but that the teachers would not agree to lift the roadblocks despite Governor Sobisch's offer of a 40 percent increase in pay. NOTE: The strike was finally settled at the beginning of April when Governor Sobisch acceded to the teacher's union demand that the 40 percent pay raise would entirely apply to their base pay, and thus also to their retirement. Sobisch's previous offer only had part of the pay raise applying to base pay. With the pay raise, Neuquen's teachers are now the highest paid in the Argentina. END NOTE.

18. (SBU) Neuquen is a rich province, but many worry that the province is not planning for the future when the oil and gas reserves will be exhausted. Daniel Darrieux told Poloff that Neuquen produces 45 percent of Argentina's natural gas and 28 percent of its petroleum. Despite this, he argued, Neuquen still has 38 percent of the population living in

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poverty. "We only have 12 to 15 years of proven reserves and we should be using this money to invest in alternative industries. After the oil and gas are gone, then what?" Neuquen is also an important producer of fruit, particularly pears and apples. Dr. Labate complained to Poloff that a large percentage of the fruit crop is wasted every year because poor infrastructure makes it expensive to export fruit that is not consumed by the local market.

19. (SBU) COMMENT: Governor Sobisch is currently the only declared presidential candidate and likely will be the standard bearer of the center-right in the presidential contest next year if Mauricio Macri decides not to run for president. Despite the similar backgrounds of Sobisch and Kirchner, Sobisch faces a much more difficult path to the presidency than Kirchner, who benefited from President Duhalde's support and a good portion of the PJ political machine behind him. Governor Sobisch is the one Governor President Kirchner has not been able to co-opt and has instead developed into an adversary. Ironically, Sobisch and Kirchner were strong allies in the mid-to-late 1990s as they both struggled with then President Carlos Menem for more coparticipation funds and greater independence.

110. (SBU) COMMENT CONTINUED: Sobisch has been much criticized for his authoritarian tendencies, but Neuquen's recent reform of the provincial constitution that included prohibiting the reelection of the Governor stands in contrast to constitutional reforms elsewhere in Argentina that were instigated by sitting Governors primarily as a means to enable their reelection, such as the recent constitutional reform in Tucuman. Governor Sobisch touts his pro-business

credentials and his allies have repeatedly told Emboffs that Sobisch is pro-U.S. Unfortunately for Governor Sobisch, polling shows that the traditional center-right, pro-business message lacks widespread Argentine public support and will make Sobisch's political platform a tough sell in 2007. END COMMENT.

GUTIERREZ